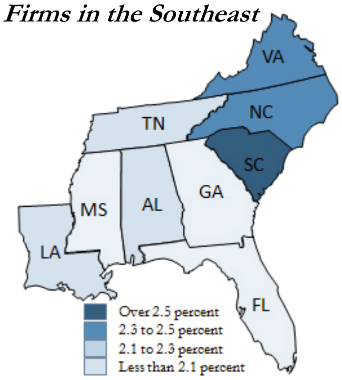
SOUTH CAROLINA LEADS THE SOUTHEAST IN HIGH-GROWTH FIRMS

An Executive Summary of SBA Research Study # 328

Introduction

According to a recent study by The Corporate Research Board, South Carolina ranks fourth in the nation and first in the Southeast for its concentration of high-growth companies. The 2008 study, titled *High-Impact Firms: Gazelles Revisited*[1], was conducted through a grant from the US Small Business Administration (SBA) and its key findings are summarized in this research brief. South Carolina's strength in attracting and growing high-impact firms is highlighted in this paper, based on the data gathered for the SBA study.

Concentration of High-Impact Firms in the Southeast

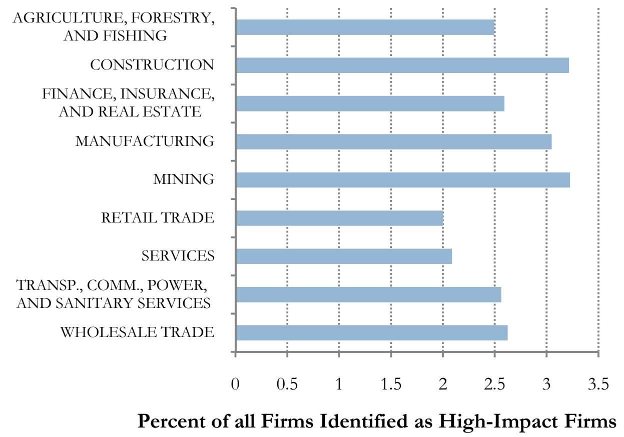


Building on the previous research on rapidly growing "gazelle" firms of David Birch completed in the 1980s, the SBA study examines firms with significant revenue growth and expanding employment, termed "high-impact firms," over the period 1994 to 2006[2]. The data source for this study was primarily Dun & Bradstreet's DUNS Market Identifier (DMI) file, along with the Bureau of Labor Statistics' Industry Occupation Mix.

Characteristics of High-Impact Firms

From 2002 to 2006, the researchers identified 376,605 high-impact firms in the United States, representing between 2 and 3 percent of all firms. Roughly 94 percent of these high-impact firms have fewer than 20 employees; however, high-impact firms are not typically start-ups. The average age of these firms is 25 years and only 2.8 percent are between 0 and 4 years old. In the four years after a high-impact firm is classified as such, only about 3 percent go out of business; most continue to grow.

Share of High-Impact Firms by Industry



High-impact firms exist in almost all regions, states and counties. Approximately 23 percent of high-impact firms are in rural areas and only about 9 percent are in a central business district. These distributions are similar to all other firms (i.e. low-impact firms), so it appears that location in a central business district is not a predictor of future firm growth. In fact, the study indicates that over the twelve year study period, both rural and central business

[1] Acs, Z., Parsons, W., and Tracy, S. (June, 2008) "High-Impact Firms: Gazelles Revisited," Research Study #328, SBA Office of Advocacy. The study is available at: http://www.sba.gov/advo/research/rs328tot.pdf.
[1] A high-impact firm is formally defined in this study as an enterprise with sales that doubled over a four year period and an employment growth multiplier of two or more. The employment growth quantifier equals the product of a firm's absolute change and percent change in employment.

district areas appear to be losing high-impact firms to semi-rural or suburban areas.

High-impact firms exist in nearly all industries. As shown in the figure, the heavy industries of manufacturing, mining and construction have a slightly higher share of high-impact firms than other industries; however, several industry sub-classifications outside of these also have proportionally higher shares of high-impact firms. Specifically, health and social services, insurance agencies and brokerages, water and air transportation, and agricultural services all have greater than a 3 percent concentration of high-impact firms.

Regional and South Carolina Highlights

With over 5,000 high-impact firms, South Carolina ranks fourth in the country for the percent of firms that are high-impact firms, only behind Alaska, Arizona and Wyoming. On a regional basis, the South Atlantic region only ranks fifth among the nine regions. The Mountain region ranks first; however, the difference between regions is quite small – ranging from 2.33 percent concentration of high-impact firms in the Mountain region to 2.12 percent in the Middle Atlantic region.

Table 1: Top Ten US States for Percent of High-Impact Firms

State	Rank in US	Number of High-Impact Firms	Total Number of Firms	Percent High-Impact
Alaska	1	1,117	40,468	2.76
Arizona	2	7,463	290,687	2.57
Wyoming	3	988	38,801	2.55
South Carolina	4	5,252	206,531	2.54
North Dakota	5	1,108	44,636	2.48
Virginia	6	9,284	376,337	2.47
Pennsylvania	7	14,147	577,328	2.45
Washington D.C.	8	1,092	44,728	2.44
Rhode Island	9	1,297	53,625	2.42
Wisconsin	10	6,832	282,737	2.42

Table 2: High-Impact Firms in Southeastern US States

State	Rank in US	Number of High-Impact Firms	Total Number of Firms	Percent High-Impact
South Carolina	4	5,252	206,531	2.54
Virginia	6	9,284	376,337	2.47
North Carolina	16	11,253	479,124	2.35
Tennessee	25	7,016	306,755	2.29
Alabama	28	4,823	212,298	2.27
Louisiana	32	5,677	253,725	2.24
Florida	46	32,078	1,556,496	2.06
Mississippi	47	2,822	137,086	2.06
Georgia	49	12,267	617,535	1.99

Based on the percent of firms that are high-impact firms, the Columbia metropolitan statistical area (MSA) ranks first in the nation among the group classified as medium-sized MSAs. In the same list of 44 MSAs, Greenville MSA ranks fifth and Charleston sixth. The medium-size MSA table is presented on the following page.

Charleston MSA Ranks 15th among all 269 MSAs for birth rates of high-impact firms. Also in the birth rate rankings, Columbia MSA Ranks 23rd, Greenville MSA ranks 24th, Myrtle Beach ranks 39th and Augusta/Aiken ranks 77th among the 269 MSAs analyzed in this study.

Table 3: High-Impact Firms in Medium-Sized MSAs

Metropolitan Statistical Area	State	Rank	Number of High-Impact Firms	Total Number of Firms	Percent High-Impact
Columbia	SC	1	840	29,940	2.81
Omaha	NE-IA	2	1,044	37,265	2.80
Tucson	AZ	3	1,093	39,825	2.74
Dayton-Springfield	OH	4	1,181	43,280	2.73
Greenville-Spartanburg-Anderson	SC	5	1,314	49,828	2.64
Charleston-North Charleston	SC	6	835	31,937	2.61
Harrisburg-Lebanon-Carlisle	PA	7	812	31,267	2.60
Knoxville	TN	8	1,068	41,339	2.58
Toledo	OH	9	719	28,054	2.56
El Paso	TX	10	636	25,308	2.51
Wichita	KS	11	690	27,552	2.50
Des Moines	IA	12	747	30,151	2.48
Naples	FL	13	780	31,496	2.48
Allentown-Bethlehem-Easton	PA	14	876	35,656	2.46
Mobile	AL	15	709	29,055	2.44
Fort Wayne	IN	16	642	26,560	2.42
Youngstown-Warren	OH	17	609	25,291	2.41
Stockton-Lodi	CA	18	598	25,026	2.39
Little Rock-North Little Rock	AR	19	789	33,270	2.37
Chattanooga	TN-GA	20	618	26,343	2.35
Colorado Springs	CO	21	824	35,212	2.34
Santa Barbara-Santa Maria-Lompoc	CA	22	612	26,158	2.34
Fresno	CA	23	1,020	43,781	2.33
Albuquerque	NM	24	970	42,039	2.31
Bakersfield	CA	25	725	31,462	2.30
Honolulu	HI	26	898	38,977	2.30
Birmingham	AL	27	1,149	49,999	2.30
Augusta-Aiken	GA-SC	28	574	25,111	2.29
Scranton-Wilkes-Barre-Hazleton	PA	29	661	29,297	2.26
Tulsa	OK	30	1,008	44,695	2.26
Jackson	MS	31	592	26,291	2.25
Fort Pierce-Port St. Lucie	FL	32	723	32,613	2.22
Baton Rouge	LA	33	836	37,883	2.21
Reno	NV	34	596	27,283	2.18
Provo-Orem	UT	35	627	28,999	2.16
Albany-Schenectady-Troy	NY	36	1,006	46,576	2.16
Lexington	KY	37	651	30,224	2.15
Melbourne-Titusville-Palm Bay	FL	38	885	41,289	2.14
Boise City	ID	39	820	38,304	2.14
Springfield	MA	40	614	29,353	2.09
Daytona Beach	FL	41	903	45,028	2.01
Syracuse	NY	42	729	36,377	2.00
Pensacola	FL	43	559	30,434	1.84